

**UNIFIED SCHOOL  
DISTRICT #247  
CHEROKEE, KANSAS**

Statutory Basis Financial Statements  
And Independent Auditors' Report  
With Supplemental Information  
For the Fiscal Year Ended June 30, 2011

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
Statutory Basis Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
Statutory Basis Financial Statements  
For the Fiscal Year Ended June 30, 2011

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# *Diehl Banwart Bolton*

*Certified Public Accountants PA*

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Unified School District #247  
Cherokee, Kansas 66724

We have audited the accompanying financial statements of the Unified School District #247, Cherokee, Kansas, as of June 30, 2011, and for the fiscal year then ended, as listed in the Table of Contents. These financial statements are the responsibility of Unified School District #247 management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative information for the fiscal year ended June 30, 2010 has been derived from the District's 2010 financial statements and, in our report dated September 30, 2010, we expressed an unqualified opinion on the financial statements prepared in accordance with the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States, and the **Kansas Municipal Audit Guide**. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the District's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

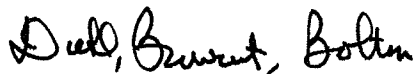
In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District #247, Cherokee, Kansas, as of June 30, 2011, or the results of its operations, for the fiscal year then ended. Further, the District has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Also, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the Unified School District #247, as of June 30, 2011, and its cash receipts, cash disbursements, and expenditures compared to budget, for the year then ended, on the basis of accounting described in Note 1.

In accordance with **Government Auditing Standards**, we have also issued reports dated December 8, 2011, on our consideration of the District's internal control structure and on its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the District. The accompanying Schedule of Expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.

DIEHL, BANWART, BOLTON, CPAs PA

A handwritten signature in cursive script, appearing to read "Diehl, Banwart, Bolton".

December 8, 2011  
Fort Scott, Kansas

**UNIFIED SCHOOL DISTRICT #247  
CHEROKEE, KANSAS**

Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Cash Balances June 30, 2011	2010
<b>GOVERNMENTAL TYPE FUNDS</b>							
General Fund	(\$504,031.00)	\$5,603,786.40	\$5,510,164.40	(\$410,409.00)	\$478,914.76	\$68,505.76	(\$62,256.06)
Special Revenue Funds							
Supplemental General	(195,085.00)	1,953,148.20	1,775,675.00	(17,611.80)	-	(17,611.80)	(195,085.00)
At Risk Four Year Old	-	31,795.00	31,795.00	-	-	-	-
At Risk K-12	-	713,132.18	713,132.18	-	117,112.91	117,112.91	95,881.50
Capital Outlay	171,545.63	65,826.22	114,942.51	122,429.34	10,501.33	132,930.67	171,545.63
Driver Education	5,190.99	9,730.00	10,628.99	4,292.00	-	4,292.00	5,190.99
Food Service	27,445.64	387,405.43	386,394.10	28,456.97	24,863.12	53,320.09	54,684.14
Professional Development	-	7,045.01	7,045.01	-	-	-	-
Special Education	46,128.25	889,621.78	894,088.76	41,661.27	15,298.82	56,960.09	59,642.97
Vocational Education	-	160,182.96	160,182.96	-	9,661.01	9,661.01	7,966.00
KPERS Retirement	-	289,640.28	289,640.28	-	-	-	-
Contingency Reserve	125,298.00	-	-	125,298.00	-	125,298.00	125,298.00
Textbook Rental	9,389.81	7,406.32	16,749.40	46.73	9,591.60	9,638.33	9,389.81
Title I	-	167,666.00	167,666.00	-	27,174.72	27,174.72	19,757.86
Title II Teacher Quality	-	44,785.00	44,785.00	-	7,433.82	7,433.82	7,829.46
Student Laptops	7,168.66	8,215.60	9,069.08	6,315.18	55.00	6,370.18	7,509.66
Grant	131.15	64,004.00	68,088.00	(3,952.85)	10,909.71	6,956.86	10,324.52
School Improvement	-	700,622.01	678,158.98	22,463.03	39,674.83	62,137.86	-
Gate Receipts	13,992.46	55,460.70	47,518.40	21,934.76	-	21,934.76	13,992.46
School Projects	16,942.44	5,564.63	16,201.12	6,305.95	-	6,305.95	16,942.44
Total Reporting Entity	(\$275,882.97)	\$11,165,037.72	\$10,941,925.17	(\$52,770.42)	\$751,191.63	\$698,421.21	\$348,614.38
<b>Composition of Cash</b>							
General Checking NOW Account.....						\$556,040.79	\$203,950.22
Activity Checking Accounts.....						69,435.29	70,277.95
Certificates of Deposit.....						105,000.00	105,000.00
Total Cash						730,476.08	379,228.17
Agency Funds per Statement 4.....						32,054.87	30,613.79
Total Reporting Entity						\$698,421.21	\$348,614.38

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**

Summary of Expenditures - Actual and Budget (Budgeted Funds Only)  
For the Fiscal Year Ended June 30, 2011

Funds	Certified Budget	Adjustment to Comply with Legal Maximum	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Favorable (Unfavorable)
					Charged to Current Year Budget		
<b>GOVERNMENTAL TYPE FUNDS</b>							
General Fund	\$5,451,506.00	(\$158,997.00)	\$217,655.40	\$5,510,164.40	\$5,510,164.40		-
Special Revenue Funds							
Supplemental General	1,775,675.00	-	-	1,775,675.00	1,775,675.00		-
At Risk Four Year Old	34,308.00	-	-	34,308.00	31,795.00		2,513.00
At Risk K-12	760,499.00	-	-	760,499.00	713,132.18		47,366.82
Capital Outlay	167,385.00	-	-	167,385.00	114,942.51		52,442.49
Driver Education	7,698.00	-	-	7,698.00	10,628.99		(2,930.99)
Food Service	509,070.00	-	-	509,070.00	386,394.10		122,675.90
Professional Development	16,000.00	-	-	16,000.00	7,045.01		8,954.99
Special Education	937,636.00	-	-	937,636.00	894,088.76		43,547.24
KPERS Retirement	387,086.00	-	-	387,086.00	289,640.28		97,445.72
Vocational Education	157,151.00	-	-	157,151.00	160,182.96		(3,031.96)
	<u>\$10,204,014.00</u>						

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Actual	Current Year Budget	Variance - Favorable (Unfavorable)
Cash Receipts				
Local Sources				
Ad valorem tax	\$429,258.86	\$442,964.99	\$423,244.00	\$19,720.99
Delinquent tax	10,621.68	12,101.74	5,840.00	6,261.74
Other	145,262.58	217,465.40	-	217,465.40
Federal Sources				
Federal aid - Stabilization	262,392.00	96,483.00	96,483.00	-
Federal aid - Education Jobs	-	168,942.00	-	168,942.00
Data use grant	800.00	-	-	-
State Sources				
Mineral tax	107.46	384.27	107.00	277.27
General aid	4,031,181.00	4,083,086.00	4,330,346.00	(247,260.00)
Special education aid	732,081.00	582,169.00	595,448.00	(13,279.00)
Other State grants	-	190.00	-	190.00
Total Cash Receipts	5,611,704.58	5,603,786.40	\$5,451,468.00	\$152,318.40
Expenditures				
Instruction	1,787,545.23	1,629,394.17	\$1,680,227.00	\$50,832.83
Support Services				
Student Support	112,217.36	128,284.43	112,794.00	(15,490.43)
Instructional Support	180,471.50	174,677.92	179,600.00	4,922.08
General Administration	248,552.10	258,169.44	246,588.00	(11,581.44)
School Administration	516,436.49	624,415.98	506,043.00	(118,372.98)
Operations and Maintenance	804,587.71	775,585.14	764,997.00	(10,588.14)
Other Support Services	3,701.39	4,400.00	3,480.00	(920.00)
Transportation Services	340,352.23	347,073.88	378,371.00	31,297.12
Site Improvement	7,693.10	-	-	-

The notes to the financial statements are an integral part of this statement.



**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Expenditures (Continued)				
Operating Transfers to Other Funds				
At Risk Four Year Old	\$30,000.00	\$31,795.00	\$34,308.00	\$2,513.00
At Risk K-12	684,046.00	713,132.18	722,499.00	9,366.82
Capital Outlay	92,241.29	56,344.17	90,241.00	33,896.83
Driver Education	10,300.00	-	-	-
Food Service	-	2,716.00	-	(2,716.00)
Professional Development	4,773.57	-	4,000.00	4,000.00
Special Education	573,152.19	603,993.13	603,207.00	(786.13)
Vocational Education	121,659.42	160,182.96	125,151.00	(35,031.96)
Contingency Reserve	-	-	-	-
Subtotal Expenditures	5,517,729.58	5,510,164.40	5,451,506.00	(58,658.40)
Adjustments to Budget				
Adjustment to Comply with Legal Maximum Budget	-	-	(158,997.00)	(158,997.00)
Adjustment for Reimbursements and Grants	-	-	217,655.40	217,655.40
Total Expenditures	5,517,729.58	5,510,164.40	\$5,510,164.40	-
Receipts Over (Under) Expenditures	93,975.00	93,622.00		
Unencumbered Cash, Beginning	(598,006.00)	(504,031.00)		
Unencumbered Cash, Ending	(\$504,031.00)	(\$410,409.00)		

The notes to the financial statements are an integral part of this statement.

## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## SUPPLEMENTAL GENERAL FUND

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Actual	Current Year Budget	Variance - Favorable (Unfavorable)
Cash Receipts				
Local Sources				
Ad valorem tax	\$563,887.54	\$711,373.52	\$687,622.00	\$23,751.52
Delinquent tax	15,020.89	20,305.50	7,805.00	12,500.50
Other	-	-	-	-
County Sources				
Motor vehicle tax	105,833.51	121,763.18	113,588.00	8,175.18
Federal Sources				
Federal aid - ARRA	252,671.00	-	-	-
State Sources				
State aid	751,233.00	1,099,706.00	964,914.00	134,792.00
Total Cash Receipts	1,688,645.94	1,953,148.20	\$1,773,929.00	\$179,219.20
Expenditures				
Instruction	1,003,037.75	1,242,169.92	\$1,004,071.00	(\$238,098.92)
Support Services				
Student Support	10,439.18	-	11,000.00	11,000.00
General Administration	-	-	3,525.00	3,525.00
School Administration	108,813.94	29,103.66	107,275.00	78,171.34
Operations and Maintenance	112,894.98	91,583.81	100,300.00	8,716.19
Transportation Services	76,235.97	76,235.97	77,000.00	764.03
Facility Acquisition and Construction Services	-	-	-	-
Operating Transfers to Other Funds				
Driver Education	-	3,770.00	-	(3,770.00)
Food Service	97,826.10	40,137.98	100,504.00	60,366.02
Professional Development	4,065.64	7,045.01	12,000.00	4,954.99
At Risk K-12	-	-	38,000.00	38,000.00
Vocational Education	23,172.50	-	32,000.00	32,000.00
Special Education	275,078.60	285,628.65	290,000.00	4,371.35
Total Expenditures	1,711,564.66	1,775,675.00	\$1,775,675.00	-
Receipts Over (Under) Expenditures	(22,918.72)	177,473.20		
Unencumbered Cash, Beginning	(172,166.28)	(195,085.00)		
Unencumbered Cash, Ending	(\$195,085.00)	(\$17,611.80)		

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247****CHEROKEE, KANSAS****AT RISK FOUR YEAR OLD FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfer from General Fund	\$30,000.00	\$31,795.00	\$34,308.00	(\$2,513.00)
Total Cash Receipts	30,000.00	31,795.00	\$34,308.00	(\$2,513.00)
Expenditures				
Instruction	30,000.00	31,795.00	\$34,308.00	\$2,513.00
Total Expenditures	30,000.00	31,795.00	\$34,308.00	\$2,513.00
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	-	-		

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247****CHEROKEE, KANSAS****AT RISK K-12 FUND**

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfers from Other Funds				
General	\$684,046.00	\$713,132.18	\$722,499.00	(\$9,366.82)
Supplemental General	-	-	38,000.00	(38,000.00)
Total Cash Receipts	684,046.00	713,132.18	-	-
Expenditures				
Instruction	653,437.57	677,462.14	715,479.00	\$38,016.86
Support Services				
Student Support	23,794.93	24,077.54	36,020.00	11,942.46
Transportation Services	6,813.50	11,592.50	9,000.00	(2,592.50)
Total Expenditures	684,046.00	713,132.18	\$760,499.00	\$47,366.82
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	-	-		

The notes to the financial statements are an integral part of this statement.

## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## CAPITAL OUTLAY FUND

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad valorem tax	-	-	-	-
Delinquent tax	22.00	33.73	-	33.73
Interest on idle funds	3,393.84	7,008.01	-	7,008.01
Other	90,985.61	2,440.31	-	2,440.31
County Sources				
Motor vehicle tax	-	-	-	-
Operating Transfers from Other Funds				
General	92,241.29	56,344.17	90,241.00	(33,896.83)
Total Cash Receipts	186,642.74	65,826.22	\$90,241.00	(\$24,414.78)
Expenditures				
Instruction	150,585.68	32,392.09	\$150,000.00	\$117,607.91
Support Services				
Student Support	-	-	385.00	385.00
Transportation Services	-	-	-	-
Facility Acquisition and				
Construction Services	93,370.55	82,550.42	17,000.00	(65,550.42)
Operating Transfers to Other Funds				
Vocational Education	-	-	-	-
Total Expenditures	243,956.23	114,942.51	\$167,385.00	\$52,442.49
Receipts Over (Under) Expenditures	(57,313.49)	(49,116.29)		
Unencumbered Cash, Beginning	228,859.12	171,545.63		
Unencumbered Cash, Ending	\$171,545.63	\$122,429.34		

The notes to the financial statements are an integral part of this statement.

## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## DRIVER EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	\$1,694.00	\$1,668.00	-	\$1,668.00
State Sources				
State aid	-	4,292.00	4,200.00	92.00
Operating Transfers from Other Funds				
General	10,300.00	-	-	-
Supplemental General	-	3,770.00	-	3,770.00
Total Cash Receipts	11,994.00	9,730.00	\$4,200.00	\$5,530.00
Expenditures				
Instruction	10,000.00	10,628.99	\$5,698.00	(\$4,930.99)
Support Services				
Operations and Maintenance	300.00	-	2,000.00	2,000.00
Total Expenditures	10,300.00	10,628.99	\$7,698.00	(\$2,930.99)
Receipts Over (Under) Expenditures	1,694.00	(898.99)		
Unencumbered Cash, Beginning	3,496.99	5,190.99		
Unencumbered Cash, Ending	\$5,190.99	\$4,292.00		

The notes to the financial statements are an integral part of this statement.

## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## FOOD SERVICE FUND

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Food sold	\$88,451.64	\$87,961.68	\$123,125.00	(\$35,163.32)
Other	1,094.19	-	-	-
State Sources				
Food service aid	3,928.49	3,991.52	4,183.00	(191.48)
Federal Sources				
Child nutrition aid	233,620.15	252,023.25	280,288.00	(28,264.75)
Nutrition grant		575.00	-	575.00
Operating Transfers from Other Funds				
General	-	2,716.00	-	2,716.00
Supplemental General	97,826.10	40,137.98	100,504.00	(60,366.02)
Total Cash Receipts	424,920.57	387,405.43	\$508,100.00	(\$120,694.57)
Expenditures				
Support Services				
Operations and Maintenance	6,990.98	5,970.77	\$10,270.00	\$4,299.23
Operation on Non-Instructional Services				
Food Service Operations	418,051.05	380,423.33	498,800.00	118,376.67
Total Expenditures	425,042.03	386,394.10	\$509,070.00	\$122,675.90
Receipts Over (Under) Expenditures	(121.46)	1,011.33		
Unencumbered Cash, Beginning	27,567.10	27,445.64		
Unencumbered Cash, Ending	\$27,445.64	\$28,456.97		

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**PROFESSIONAL DEVELOPMENT FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	-	-	-	-
State Sources				
State aid	96.00	-	-	-
Operating Transfers from Other Funds				
General	4,773.57	-	4,000.00	(4,000.00)
Supplemental General	4,065.64	7,045.01	12,000.00	(4,954.99)
Total Cash Receipts	8,935.21	7,045.01	\$16,000.00	(\$8,954.99)
Expenditures				
Support Services				
Instructional Support	8,933.77	7,045.01	\$16,000.00	\$8,954.99
Total Expenditures	8,933.77	7,045.01	\$16,000.00	\$8,954.99
Receipts Over (Under) Expenditures	1.44	-		
Unencumbered Cash, Beginning	(1.44)	-		
Unencumbered Cash, Ending	-	-		

The notes to the financial statements are an integral part of this statement.



## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## SPECIAL EDUCATION FUND

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other	-	-	-	-
Operating Transfers from Other Funds				
General	573,152.19	603,993.13	603,207.00	786.13
Supplemental General	275,078.60	285,628.65	290,000.00	(4,371.35)
Total Cash Receipts	848,230.79	889,621.78	\$893,207.00	(\$3,585.22)
Expenditures				
Instruction	787,098.64	785,494.52	\$937,636.00	\$152,141.48
Support Services				
Transportation	65,986.38	108,594.24	-	(108,594.24)
Total Expenditures	853,085.02	894,088.76	\$937,636.00	\$43,547.24
Receipts Over (Under) Expenditures	(4,854.23)	(4,466.98)		
Unencumbered Cash, Beginning	50,982.48	46,128.25		
Unencumbered Cash, Ending	\$46,128.25	\$41,661.27		

The notes to the financial statements are an integral part of this statement.

## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## VOCATIONAL EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Operating Transfers from Other Funds				
General	\$121,659.42	\$160,182.96	\$125,151.00	\$35,031.96
Supplemental General	23,172.50	-	32,000.00	(32,000.00)
Total Cash Receipts	144,831.92	160,182.96	\$157,151.00	\$3,031.96
Expenditures				
Instruction	144,831.92	160,182.96	\$157,151.00	(\$3,031.96)
Total Expenditures	144,831.92	160,182.96	\$157,151.00	(\$3,031.96)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	-	-		

The notes to the financial statements are an integral part of this statement.

## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## KPERS RETIREMENT FUND

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State Sources				
State aid	\$345,612.65	\$289,640.28	\$387,086.00	(\$97,445.72)
Total Cash Receipts	345,612.65	289,640.28	\$387,086.00	(\$97,445.72)
Expenditures				
Instruction	229,568.49	194,454.09	\$248,086.00	\$53,631.91
Support Services				
Student Support	7,563.50	5,313.89	11,000.00	5,686.11
Instructional Support	11,356.31	8,702.97	16,000.00	7,297.03
General Administration	13,428.61	11,565.80	15,000.00	3,434.20
School Administration	35,317.38	30,134.96	40,000.00	9,865.04
Operations and Maintenance	24,663.72	19,249.21	30,000.00	10,750.79
Other Support Services	-	-	-	-
Transportation Services	10,199.03	9,477.87	12,000.00	2,522.13
Operation of Noninstructional Services-				
Food Service Operations	13,515.61	10,741.49	15,000.00	4,258.51
Total Expenditures	345,612.65	289,640.28	\$387,086.00	\$97,445.72
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	-	-		

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247****CHEROKEE, KANSAS****CONTINGENCY RESERVE FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating Transfer from General Fund	-	-
Total Cash Receipts	-	-
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	125,298.00	125,298.00
Unencumbered Cash, Ending	\$125,298.00	\$125,298.00

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247****CHEROKEE, KANSAS****TEXTBOOK RENTAL FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Fees	\$8,698.66	\$7,406.32
Total Cash Receipts	8,698.66	7,406.32
Expenditures		
Instruction	7,112.35	16,749.40
Total Expenditures	7,112.35	16,749.40
Receipts Over (Under) Expenditures	1,586.31	(9,343.08)
Unencumbered Cash, Beginning	7,803.50	9,389.81
Unencumbered Cash, Ending	\$9,389.81	\$46.73

The notes to the financial statements are an integral part of this statement.

## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## TITLE I FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$186,430.00	\$167,666.00
Total Cash Receipts	186,430.00	167,666.00
Expenditures		
Instruction	184,814.24	162,549.07
Support Services	4,073.66	5,116.93
Total Expenditures	188,887.90	167,666.00
Receipts Over (Under) Expenditures	(2,457.90)	-
Unencumbered Cash, Beginning	2,457.90	-
Unencumbered Cash, Ending	-	-

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**TITLE II TEACHER QUALITY FUND**

Statement of Cash Receipts and Expenditures - Actual  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources		
Federal aid	\$45,281.00	\$44,785.00
Total Cash Receipts	45,281.00	44,785.00
Expenditures		
Instruction	45,281.00	44,785.00
Total Expenditures	45,281.00	44,785.00
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	-

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247****CHEROKEE, KANSAS****STUDENT LAPTOPS FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Fees	\$7,105.65	\$8,215.60
Total Cash Receipts	7,105.65	8,215.60
Expenditures		
Instruction	2,522.00	9,069.08
Total Expenditures	2,522.00	9,069.08
Receipts Over (Under) Expenditures	4,583.65	(853.48)
Unencumbered Cash, Beginning	2,585.01	7,168.66
Unencumbered Cash, Ending	\$7,168.66	\$6,315.18

The notes to the financial statements are an integral part of this statement.



**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**GRANT FUND**

Statement of Cash Receipts and Expenditures - Actual  
For the Fiscal Year Ended June 30, 2011  
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Other	-	-
Kan Ed grant	-	-
School Health grant	6,720.00	5,930.00
Federal Sources		
School preparedness	750.00	-
Team nutrition grant	1,525.00	-
Youth risk behavior	500.00	-
Title I ARRA	50,500.00	54,758.00
Title II D	1,636.00	909.00
Title II D ARRA	1,444.00	2,407.00
School Health grant	-	-
Total Cash Receipts	63,075.00	64,004.00
Expenditures		
Instruction	61,939.00	60,688.00
Support Services	1,637.00	7,400.00
Total Expenditures	63,576.00	68,088.00
Receipts Over (Under) Expenditures	(501.00)	(4,084.00)
Unencumbered Cash, Beginning	632.15	131.15
Unencumbered Cash, Ending	\$131.15	(\$3,952.85)

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247****CHEROKEE, KANSAS****SCHOOL IMPROVEMENT FUND**

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2011

(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Other	-	\$0.01
Federal Sources	-	
School Improvement	-	700,622.00
Total Cash Receipts	-	700,622.01
Expenditures		
Instruction	-	658,756.98
Support Services	-	19,402.00
Total Expenditures	-	678,158.98
Receipts Over (Under) Expenditures	-	22,463.03
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	-	\$22,463.03

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**AGENCY FUNDS**

Statement of Cash Receipts and Cash Disbursements  
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
Southeast High School	\$25,276.13	\$126,761.93	\$123,912.63	\$28,125.43
McCune Attendance Center	2,778.95	4,973.72	6,252.83	1,499.84
Cherokee Attendance Center	937.65	8,139.89	8,106.28	971.26
Weir Attendance Center	1,389.53	6,251.39	6,409.80	1,231.12
Junior High Athletics & Cheerleading	231.53	1,109.05	1,113.36	227.22
Totals	<u>\$30,613.79</u>	<u>\$147,235.98</u>	<u>\$145,794.90</u>	<u>\$32,054.87</u>

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247  
CHEROKEE, KANSAS**

**DISTRICT ACTIVITY FUNDS**

Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
For the Fiscal Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Cash Balances June 30, 2011	2010
<b>Gate Receipts</b>							
Southeast High School	\$3,646.01	\$48,509.55	\$43,169.91	\$8,985.65	-	\$8,985.65	\$3,646.01
McCune Attendance Center	1,859.18	-	-	1,859.18	-	1,859.18	1,859.18
Cherokee Attendance Center	-	-	-	-	-	-	-
Junior High Athletics	8,487.27	6,951.15	4,348.49	11,089.93	-	11,089.93	8,487.27
<b>Total Gate Receipts</b>	<b>13,992.46</b>	<b>55,460.70</b>	<b>47,518.40</b>	<b>21,934.76</b>	<b>-</b>	<b>21,934.76</b>	<b>13,992.46</b>
<b>School Projects</b>							
McCune Attendance Center	7,000.00	500.00	7,469.89	30.11	-	30.11	7,000.00
Cherokee Attendance Center	4,265.86	2,569.63	6,774.40	61.09	-	61.09	4,265.86
Weir Attendance Center	5,676.58	2,495.00	1,956.83	6,214.75	-	6,214.75	5,676.58
<b>Total School Projects</b>	<b>16,942.44</b>	<b>5,564.63</b>	<b>16,201.12</b>	<b>6,305.95</b>	<b>-</b>	<b>6,305.95</b>	<b>16,942.44</b>
<b>Totals</b>	<b>\$30,934.90</b>	<b>\$61,025.33</b>	<b>\$63,719.52</b>	<b>\$28,240.71</b>	<b>-</b>	<b>\$28,240.71</b>	<b>\$30,934.90</b>

The notes to the financial statements are an integral part of this statement.

**UNIFIED SCHOOL DISTRICT #247  
CHEROKEE, KANSAS**

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Unified School District #247, Cherokee, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

Unified School District #247, Cherokee, Kansas, is a municipal corporation governed by an elected seven-member board. The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility or financial inter-dependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a component unit in these financial statements.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the District:

GOVERNMENTAL FUNDS

General Fund -- to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds -- to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

FIDUCIARY FUNDS

Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds and Agency Funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

Basis of Presentation - Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements is designed to demonstrate compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made. The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departures From Accounting Principles Generally Accepted in the United States of America

The basis of presentation described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue, principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1.
2. Publication in the local newspaper of the proposed budget and a notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after the publication of a notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments this year. The District decreased the General Fund budget due to final enrollment lower than the amount budgeted.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)  
**Budgetary Information** (Continued)

Annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances. Encumbrances are commitments of the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapse at year end. A legal operating budget is not required for fiduciary funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

**Cash and Investments**

Cash and investments are comprised of interest and non-interest bearing checking accounts and repurchase agreements. Kansas statutes permit investment in savings accounts, certificates of deposit, repurchase agreements, and obligations of the U.S. Treasury.

**Compensated Absences**

Certified employees receive ten days a year of sick pay, which can be accumulated up to ninety-four days. Classified employees receive one day per month of sick pay which can be accumulated up to 60 days. All employees receive three days per year of emergency leave for death in the immediate family with no accumulation of days permitted. Upon retirement, employees may receive from \$2,500 to \$6,000 of unused sick leave depending upon years of service and KPERs retirement eligibility. Sick leave is lost if the employment terminates for any reason other than death, retirement, or a minimum number of years of service. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to the employee's right to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material to the financial statements.

In accordance with this criteria, the District has accrued a liability for accrued sick pay totaling \$18,655. The liability is considered a long-term obligation of the District. Accrued sick leave for all other employees employed by the District has not been accrued since the amount ultimately payable cannot be reasonably estimated. The District has not accrued a liability for accrued vacation pay inasmuch as the amount is not material.

**Termination and Post Employment Benefits**

No termination benefits are provided to District employees when employment with the District ends except for the accrued compensated absences as discussed in Note 1 and early retirement benefits.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)  
**Termination and Post Employment Benefits** – (Continued)

The District has adopted a policy providing early retirement benefit options. In general, the policy allows certified employees with 15 years of continuous service to the District the option to retire after attaining the age of 60. Benefits which are provided are as follows: 1) paid sick leave up to certain limits as provided for in the current negotiated agreement between the district and its certified employees, 2) twenty percent (20%) of the last regular salary will be paid during each of the first two years of eligibility of opting to retire, otherwise foregone, 3) medical insurance coverage will be provided until the employee attains age 65, up to \$325.00 per month, 4) if the employee is deceased, the designated beneficiary will receive cash in lieu of medical insurance coverage until the deceased employee would have attained the age of 65. Classified employees are also eligible to receive the medical insurance benefits of early retirement. The District funds these benefits on a pay as you go basis. The liability at June 30, 2011 totaled \$131,968. Scheduled payments are shown in Note 10.

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

**Property Taxes**

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County.

Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10<sup>th</sup> of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

**Comparative Data**

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in each of the statements have not been presented since their inclusion would make the statements unduly complex and difficult to read.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Statements 1 and 2 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. The District was in apparent compliance with the cash basis and budget laws of Kansas except as follows:



## 2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** – (Continued)

- Expenditures exceeded the budget in the Driver Education and Vocational Education Funds by \$2,930.99 and \$3,031.96 as shown on statement 2 in apparent violation of K.S.A. 79-2935.

The apparent cash basis violations in the General, Supplemental General, and Grant Funds are not actual violations due to State aid receivable at June 30. As discussed in Note 8, Kansas statutes require these receivables to be recorded as cash at June 30.

## 3. **CASH, INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the Government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Government's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Government has no investment policy that would further limit its investment choices, but has limited the investments to time deposits at the local banks.

*Concentration of credit risk.* State statutes place no limit on the amount the Government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not have any "peak periods" designated.

At June 30, 2011 the District's carrying amount of deposits was \$730,476.08 and the bank balance was \$913,739.96. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$389,738.43 was covered by federal depository insurance, and the remaining \$524,001.53 was collateralized with securities totaling \$1,112,424.35 held by the pledging financial institutions' agents in the District's name.

## 4. **PENSION PLAN**

### Plan Description

The School District participates in the Kansas Public Employees Retirement System ("KPERS"), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, Kansas 66603) or by calling 1-888-275-5737.

4. **PENSION PLAN** – (Continued)

Funding Policy

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009, and 6% of covered salary for employees hired from July 1, 2009 to the present. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the contribution rates. For July 1, 2010 to June 30, 2011, the State of Kansas contributes 9.17% of covered payroll. Kansas' contributions to KPERS for school municipality employees for the years ending June 30, 2011, 2010, and 2009, were \$253,834,044, \$248,468,186, and \$242,277,363, respectively, equal to the statutory required contributions for each year. The KPERS Retirement Fund reports the amount paid by the State for the District's employees. The amounts attributable to the District for the year ending June 30, 2011, 2010, and 2009 totaled \$289,640.28, \$345,612.65 and \$351,805.18 respectively.

5. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The District manages these various risks of loss by purchasing insurance policies.

6. **CONTINGENCIES**

In the normal course of operations, the District participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

7. **INTERFUND TRANSFERS**

Operating transfers are routinely made from the General and Supplemental General Funds to other funds as allowed by Kansas Statutes. Operating transfers were as follows:

FROM	TO	STATUTORY AUTHORITY	AMOUNT
General	At Risk 4 Year Old	K.S.A. 72-6428	\$ 31,795.00
General	At Risk K-12	K.S.A. 72-6428	713,132.18
General	Capital Outlay	K.S.A. 72-6428	56,344.17
General	Food Service	K.S.A. 72-6428	2,716.00
General	Special Education	K.S.A. 72-6428	603,993.13
General	Vocational Education	K.S.A. 72-6428	160,182.96
Supplemental General	Drivers Education	K.S.A. 72-6433	3,770.00
Supplemental General	Food Service	K.S.A. 72-6433	40,137.98
Supplemental General	Special Education	K.S.A. 72-6433	285,628.65
Supplemental General	Professional Education	K.S.A. 72-6433	7,045.01

**8. COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d).**

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) requires the school district to record any payment of state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue in the General and Supplemental General Funds as required by the Statutes.

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET

For the Year Ended June 30, 2011

	GENERAL FUND		
	Statutory Transactions	Budget	Variance-Favorable (Unfavorable)
Cash Receipts			
Local Sources			
Ad Valorem Property Tax	\$ 438,801	\$ 423,273	\$ 15,528
Delinquent Tax	6,830	5,745	1,085
Other	188,433	-	188,433
State Sources			
Mineral Tax	463	250	213
Machinery and Equipment Tax	1,693	-	1,693
General Aid	4,832,053	5,020,896	(188,843)
State Special Education Aid	656,640	676,242	(19,602)
Other State grants	350	-	350
Total Cash Receipts	6,125,263	\$ 6,126,406	\$ (1,143)
Expenditures			
Instruction	2,111,136	\$2,453,830	\$342,694
Support Services			
Student Support	153,865	133,500	(20,365)
Instructional Support	231,738	210,000	(21,738)
General Administration	291,998	202,500	(89,498)
School Administration	607,593	405,000	(202,593)
Operations and Maintenance	843,502	685,000	(158,502)
Other Support Services	3,201	-	(3,201)
Transportation Services	321,482	296,000	(25,482)
Architecture and Engineering	-	-	-
Operating Transfers to Other Funds			
At Risk Four Year Old	28,945	29,406	461
At Risk K-12	600,000	600,000	-
Capital Outlay	104,418	150,000	45,582
Driver Education	-	5,000	5,000
Food Service	-	75,000	75,000
Professional Development	11,525	12,500	975
Special Education	670,859	725,000	54,141
Vocational Education	145,000	145,000	-
Contingency Reserve	-	-	-
Subtotal Expenditures	6,125,262	6,127,736	
Adjustments to Budget	-		
Adjustment to Comply with Legal Maximum Budget	-	(191,256)	(191,256)
Adjustment for Reimbursed Expenses and Non budgeted Grants	-	188,783	188,783
Total Expenditures	6,125,262	\$ 6,125,263	\$ -
Receipts Over (Under) Expenditures	-		
Unencumbered Cash, Beginning	-		
Unencumbered Cash, Ending	\$ -		

**8. COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d).** (Continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET

For the Year Ended June 30, 2011

	SUPPLEMENTAL GENERAL FUND		
	Statutory Transactions	Budget	Variance- Favorable (Unfavorable)
Cash Receipts			
Local Sources			
Ad Valorem Property Tax	\$ 561,799	\$ 548,856	\$ 12,943
Delinquent Tax	10,327	5,845	4,482
Other	-	-	-
County Sources			
Motor Vehicle Tax	102,096	93,589	8,507
State Sources			
Machinery and Equipment Tax	1,870	302	1,568
General Aid	1,013,208	1,013,208	-
Total Cash Receipts	<u>1,689,300</u>	<u>\$ 1,661,800</u>	<u>\$ 27,500</u>
Expenditures			
Instruction	1,018,354	\$ 1,190,000	\$ 171,646
Support Services			
Student Support	-	-	-
General Administration	-	-	-
School Administration	26,420	85,000	58,580
Operations and Maintenance	107,984	50,000	(57,984)
Transportation Services	76,236	70,000	(6,236)
Facility Acquisition and Construction Services	-	-	-
Operating Transfers to Other Funds			
Driver Education	-	7,500	7,500
Food Service	115,530	15,000	(100,530)
Professional Development	-	-	-
Parent Education	-	-	-
Vocational Education	-	-	-
Special Education	330,476	257,500	(72,976)
Total Expenditures	<u>1,675,000</u>	<u>\$ 1,675,000</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	14,300		
Unencumbered Cash, Beginning	<u>16,176</u>		
Unencumbered Cash, Ending	<u>\$ 30,476</u>		

**9. SUBSEQUENT EVENTS**

Events subsequent to June 30 have been evaluated through the date of the Independent Auditors' Report as shown on page 2. There are no subsequent events recognized in these financial statements or recorded in the notes to the financial statements.

**10. LONG-TERM OBLIGATIONS**

Changes in long term obligations and future materials are as follows:

**10. LONG TERM OBLIGATIONS** (Continued)

Statement of Changes in Long Term Obligations

Issue	Amount of Issue	Interest Rates	Date of Issue	Date of Final Maturity	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Balances End of Year	Interest Paid
<u>Lease Purchase Agreements</u>									
International Buses	\$ 335,890	4.76%	1/22/2007	1-22-2012	\$ 143,030	\$ -	\$ 69,986	\$ 73,044	\$ 6,250
Building Improvements	1,197,359	5.17%	4/4/2007	12/4/2025	1,127,672	-	33,904	1,093,768	57,517
Total Lease Purchase Agreements					1,270,701	-	103,889	1,166,812	63,768
<u>Compensated Absences</u>									
Sick and Vacation	N/A	N/A	N/A	N/A	25,680	-	7,025	18,655	N/A
Early Retirement	N/A	N/A	N/A	N/A	236,912	-	104,943	131,968	N/A
					\$ 1,533,293	\$ -	\$ 215,857	\$ 1,317,435	\$ 63,768

10. **LONG TERM OBLIGATIONS** (Continued)

Statement of Maturities of Long Term Obligations

Issue	2012	2013	2014	2015	2016	2017 to 2021	2022 to 2026	Totals
<u>Principal</u>								
<u>Lease Purchase Agreements</u>								
International Buses	\$ 73,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,044
Building Improvements	37,731	41,827	46,208	50,890	55,892	361,218	500,002	1,093,768
Total Lease Purchase	110,775	41,827	46,208	50,890	55,892	361,218	500,002	1,166,812
<u>Interest</u>								
<u>Lease Purchase Agreements</u>								
International Buses	\$ 3,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,192
Building Improvements	55,675	53,629	51,364	48,865	46,117	179,287	61,773	496,710
Total Lease Purchase	58,867	53,629	51,364	48,865	46,117	179,287	61,773	499,902
<u>Other Payments</u>								
<u>Compensated Absences</u>								
Sick and Vacation	18,655	-	-	-	-	-	-	18,655
Early Retirement	73,466	22,677	22,071	9,529	3,900	325	-	131,968
Total Comp Absences	92,121	22,677	22,071	9,529	3,900	325	-	150,623
Grant Totals	\$ 261,763	\$ 118,133	\$ 119,643	\$ 109,284	\$ 105,909	\$ 540,830	\$ 561,775	\$ 1,817,337

**UNIFIED SCHOOL DISTRICT #247  
CHEROKEE, KANSAS**

**SUPPLEMENTAL INFORMATION**  
For the Fiscal Year Ended June 30, 2011

## UNIFIED SCHOOL DISTRICT #247

## CHEROKEE, KANSAS

## SOUTHEAST HIGH SCHOOL ACTIVITY FUND

## Schedule of Cash Receipts, Cash Disbursements and Cash Balances

For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
<u>Student Activity Funds</u>				
Student Organizations				
Annual	\$1,712.00	\$5,796.96	\$1,026.72	\$6,482.24
Band	27.66	902.26	737.26	192.66
Drama	500.00	-	-	500.00
Kayettes (KAY'S)	797.20	5,244.00	5,683.01	358.19
FFA	1,074.37	6,507.00	6,526.72	1,054.65
FCCLA	1,662.32	3,787.00	3,674.93	1,774.39
Science Club	360.20	2,025.10	2,226.10	159.20
Art club	110.67	810.00	624.85	295.82
Technology	1,630.36	2,013.54	2,517.32	1,126.58
Vocational-Ag	1,544.84	1,281.15	307.19	2,518.80
Juniors	3,331.81	36,365.02	35,972.94	3,723.89
N.H.S.	378.53	587.05	693.74	271.84
Senior Class	1,732.10	4,507.00	5,114.68	1,124.42
Shop	774.43	1,406.87	1,848.86	332.44
Student Council	2,731.18	9,907.45	12,222.23	416.40
Library	186.99	99.85	171.03	115.81
Cheerleaders	1,081.88	10,698.32	11,461.41	318.79
FACS	189.01	588.85	623.85	154.01
Pep Club	464.48	1,575.00	1,864.35	175.13
History Club	762.47	583.65	762.99	583.13
Scholarship bowl	193.74	205.00	205.00	193.74
Journalism	46.08	-	-	46.08
Lancer Pride	35.98	2,314.62	1,555.35	795.25
Debate	717.73	5,699.12	4,877.91	1,538.94
Accounting & General Business	2,111.67	1,451.05	3,182.72	380.00
FBLA	-	447.44	273.60	173.84
Spirit Shack	-	13,071.44	10,777.28	2,294.16
FCA	197.06	317.95	187.51	327.50
Laptop fees	-	5,665.00	5,665.00	-
Local history	100.00	-	-	100.00
SRO resources	365.00	-	116.78	248.22
LT REP & DED	-	2,650.60	2,650.60	-
Grenhouse	456.37	253.64	360.70	349.31
Totals - Cash Basis	25,276.13	126,761.93	123,912.63	28,125.43
<u>District Activity Funds</u>				
Gate Receipts				
Athletics	3,646.01	48,509.55	43,169.91	8,985.65
Total - Cash Basis	3,646.01	48,509.55	43,169.91	8,985.65



**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**SOUTHEAST HIGH SCHOOL ACTIVITY FUND**  
Schedule of Cash Receipts, Cash Disbursements and Cash Balances  
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
<u>District Activity Funds</u>				
Fees and User Charges				
Driver's Education	-	\$1,800.00	\$1,800.00	-
Food service	-	25,991.92	25,991.92	-
Sales tax	-	778.50	778.50	-
Book rental	-	3,417.00	3,417.00	-
Total - Cash Basis	-	31,987.42	31,987.42	-
<u>Special Revolving</u>				
Student general	2,751.21	2,781.75	2,817.79	2,715.17
Total - Cash Basis	2,751.21	2,781.75	2,817.79	2,715.17
 GRAND TOTALS (MEMORANDUM ONLY)	 \$31,673.35	 \$210,040.65	 \$201,887.75	 \$39,826.25

Notes for Schedule 1: Student Organization funds are Agency Funds and are reported in Statement 4. Gate Receipts and Student Project Funds are Special Revenue Funds of the District and are reported in Statement 5. Fee and User Charges and Special Revolving Funds are funds of the District. The funds are collected at the school sites and turned over to the District throughout the year. Any cash in these funds at year end are included in the General Fund and encumbered.

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**MCCUNE ATTENDANCE CENTER ACTIVITY FUND**  
Schedule of Cash Receipts, Cash Disbursements and Cash Balances  
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
<u>Student Activity Funds</u>				
Student Organizations				
Eighth grade	\$1,189.62	\$2,881.72	\$3,036.57	\$1,034.77
Calendar	1,430.12	428.00	1,510.41	347.71
Yearbook	159.21	1,664.00	1,705.85	117.36
Total - Cash Basis	<u>2,778.95</u>	<u>4,973.72</u>	<u>6,252.83</u>	<u>1,499.84</u>
<u>District Activity Funds</u>				
Gate Receipts				
Athletics	1,859.18	-	-	1,859.18
Total - Cash Basis	<u>1,859.18</u>	<u>-</u>	<u>-</u>	<u>1,859.18</u>
School Projects				
Carnival	-	-	-	-
Pritchett Grant	7,000.00	500.00	7,469.89	30.11
Totals - Cash Basis	<u>7,000.00</u>	<u>500.00</u>	<u>7,469.89</u>	<u>30.11</u>
Fees and User Charges				
Book rental	-	1,190.00	1,190.00	-
Food service	-	17,238.83	17,238.83	-
Totals - Cash Basis	<u>-</u>	<u>18,428.83</u>	<u>18,428.83</u>	<u>-</u>
Special Revolving				
Student general	776.14	300.60	170.99	905.75
Total - Cash Basis	<u>776.14</u>	<u>300.60</u>	<u>170.99</u>	<u>905.75</u>
GRAND TOTALS				
(MEMORANDUM ONLY)	<u>\$12,414.27</u>	<u>\$24,203.15</u>	<u>\$32,322.54</u>	<u>\$4,294.88</u>

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**CHEROKEE ATTENDANCE CENTER SCHOOL ACTIVITY FUND**

Schedule of Cash Receipts, Cash Disbursements and Cash Balances

For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
<u>Student Activity Funds</u>				
Student Organizations				
Eighth grade	\$126.10	\$5,755.89	\$5,653.34	\$228.65
Annual	811.55	2,384.00	2,452.94	742.61
Total - Cash Basis	937.65	8,139.89	8,106.28	971.26
<u>District Activity Funds</u>				
Gate Receipts				
Athletics	-	-	-	-
Total - Cash Basis	-	-	-	-
School Projects				
Pritchett Grant	61.09	-	-	61.09
Carnival	4,204.77	2,569.63	6,774.40	-
Total - Cash Basis	4,265.86	2,569.63	6,774.40	61.09
Fees and User Charges				
Food service	-	28,218.45	28,218.45	-
Textbook rental	-	2,556.37	2,559.37	(3.00)
Totals - Cash Basis	-	30,774.82	30,777.82	(3.00)
Special Revolving				
Student general	4,178.90	718.65	216.89	4,680.66
Totals - Cash Basis	4,178.90	718.65	216.89	4,680.66
 GRAND TOTALS (MEMORANDUM ONLY)	 \$9,382.41	 \$42,202.99	 \$45,875.39	 \$5,710.01

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
**WEIR ATTENDANCE CENTER ACTIVITY FUND**  
Schedule of Cash Receipts, Cash Disbursements and Cash Balances  
For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
<u>Student Activity Funds</u>				
Student Organizations				
Eighth grade	\$1,111.50	\$4,023.65	\$3,982.06	\$1,153.09
Yearbook	0.00	1,781.00	1,781.00	0.00
Stuco	200.00	230.00	430.00	-
Band	78.03	216.74	216.74	78.03
Total - Cash Basis	1,389.53	6,251.39	6,409.80	1,231.12
<u>School Projects</u>				
Carnival	5,676.58	2,495.00	1,956.83	6,214.75
Total - Cash Basis	5,676.58	2,495.00	1,956.83	6,214.75
<u>Fees and User Charges</u>				
Textbook rental	-	1,511.95	1,511.95	-
Food service	-	15,888.43	15,888.43	-
Totals - Cash Basis	-	17,400.38	17,400.38	-
<u>Special Revolving</u>				
Student general	1,023.01	1,150.92	1,332.80	841.13
Totals - Cash Basis	1,023.01	1,150.92	1,332.80	841.13
 GRAND TOTALS (MEMORANDUM ONLY)	 \$8,089.12	 \$27,297.69	 \$27,099.81	 \$8,287.00

UNIFIED SCHOOL DISTRICT #247  
CHEROKEE, KANSAS  
JUNIOR HIGH ATHLETICS AND CHEERLEADING ACTIVITY FUND

Schedule of Cash Receipts, Cash Disbursements and Cash Balances

For the Fiscal Year Ended June 30, 2011

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
<u>Student Activity Funds</u>				
Student Organizations				
Junior High Cheerleading	\$231.53	\$1,109.05	\$1,113.36	\$227.22
Total - Cash Basis	231.53	1,109.05	1,113.36	227.22
<u>District Activity Funds</u>				
Gate Receipts				
Junior High Athletics	8,487.27	6,951.15	4,348.49	11,089.93
Total - Cash Basis	8,487.27	6,951.15	4,348.49	11,089.93
GRAND TOTALS (MEMORANDUM ONLY)	\$8,718.80	\$8,060.20	\$5,461.85	\$11,317.15

**UNIFIED SCHOOL DISTRICT #247  
CHEROKEE, KANSAS**

**FEDERAL COMPLIANCE SECTION**

For the Fiscal Year Ended June 30, 2011

**UNIFIED SCHOOL DISTRICT #247**  
**CHEROKEE, KANSAS**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2011

<u>Federal Grantor</u>	<u>Federal</u>	<u>Pass Through</u>		
Pass Through Grantor	CFDA	Grantor's		
Program Title	Number	Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
Passed Through the State of Kansas				
Department of Education				
School Breakfast Program	10.553	(1)	\$63,512.72	\$63,512.72
National School Lunch Program	10.555	(1)	188,510.53	188,510.53
Team Nutrition Training grant	10.574	(1)	575.00	575.00
Total U.S. Department of Agriculture			252,598.25	252,598.25
<u>U.S. Department of Education</u>				
Passed Through the State of Kansas				
Department of Education				
Title I Grants to Local Education Agencies	84.010	(1)	167,666.00	167,666.00
Tech Literacy	84.318	(1)	909.00	909.00
Title II Improving Teacher Quality	84.367	(1)	44,785.00	44,785.00
Title II - ARRA	84.386	(1)	2,407.00	2,407.00
School Improvement	84.388	(1)	700,622.00	678,158.98
Title I - ARRA	84.389	(1)	54,758.00	54,758.00
Stabilization ARRA	84.394	(1)	96,483.00	96,483.00
Education jobs	84.410	(1)	168,942.00	168,942.00
Totals U.S. Department of Education			1,236,572.00	1,214,108.98
Total Federal Awards			\$1,489,170.25	\$1,466,707.23

## Notes to the Schedule of Expenditures of Federal Awards

- (1) The number is not available.
- (2) Receipts and expenditures in this schedule are recorded using the same method of accounting used in the basic financial statements. Receipts are recorded when the cash is received and not when earned. Expenditures are recorded when cash is paid and includes payables as well as encumbrances.

# Diehl Banwart Bolton

*Certified Public Accountants PA*

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Unified School District #247  
Cherokee, Kansas

### **Compliance**

We have audited the compliance of Unified School District #247 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the compliance of the District based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Unified School District #247 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2011.



## Internal Control Over Compliance

The management of Unified School District #247 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DIEHL, BANWART, BOLTON, CPAs PA

December 8, 2011  
Fort Scott, Kansas

# Diehl Banwart Bolton

*Certified Public Accountants P.A.*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Unified School District #247  
Cherokee, Kansas

We have audited the financial statements of Unified School District #247 as of the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2011-1) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, we would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted matters involving internal controls that we have reported to management in a letter dated December 8, 2011.

This report is intended solely for the information and use of the audit committee, management, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the School Board, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DIEHL, BANWART, BOLTON, CPAs PA

December 8, 2011  
Fort Scott, Kansas

**UNIFIED SCHOOL DISTRICT #247  
CHEROKEE, KANSAS**

Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2011

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

1. The auditor's report expresses an adverse opinion for departures from accounting principles generally accepted in the United States of America due to preparation of financial statements in accordance with the statutory basis of accounting. The auditor's report expresses an unqualified opinion on the statutory basis financial statements.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the "Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. There were no significant deficiencies in internal control over major federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<u>CFDA #</u>	<u>NAME OF PROGRAM</u>
10.553 & 10.555	Nutrition Cluster
84.388	School Improvement Program
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The District was not determined to be a low-risk auditee.

## **SECTION II - FINANCIAL STATEMENT FINDINGS**

### Significant Deficiency

#### 2011-1 Drafting Financial Statements

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under generally accepted accounting standards and the statutory basis of accounting.

Criteria: Internal controls should be in place that provide a reasonable assurance that the financial statements are appropriate in form and contain the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they can not be considered part of the District's internal control.

Effect: The District relies on independent auditors to determine the financial statements are in the correct form and include the proper disclosures.

Recommendation: None

Response: The District agrees with the finding. The District's response is in the attached Corrective Action Plan.

## **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## UNIFIED SCHOOL DISTRICT #247

June 30, 2011 Financial Statements

### Corrective Action Plan

#### Audit Finding 2011-1

USD #247 has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under generally accepted accounting principles and the statutory basis of accounting. While USD #247 understands that this is a significant deficiency in our internal controls, we believe it is the most cost effective manner for us to produce our financial statements. Our accounting staff concentrate on providing the reports needed for management purposes and preparing the required reports for the Kansas Department of Education. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the requirements of GAAP and the statutory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.